

Message Text

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ACTION EA-12

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AMEMBASSY PARIS
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LIMITED OFFICIAL USE SECTION 1 OF 2 TOKYO 3360

PARIS FOR USOECD

BRUSSELS FOR USEC

E.O. 11652: N/A
TAGS: ELAB, JA
SUBJECT: UNION DISARRAY ON SPRING WAGE STRUGGLE

REF: 77 TOKYO 19330

1. SUMMARY: FOUR LABOR CONFEDERATIONS STILL URGING
THEIR MEMBER UNIONS TO DEMAND INITIALLY AT LEAST 12 PERCENT
AVERAGE WAGE BOOST (INCLUDING AUTOMATIC STEP INCREASE)
DURING FORTHCOMING ANNUAL WAGE NEGOTIATIONS (REFTEL).
HOWEVER, PRIVATE SECTOR UNIONS HAVE POSTPONED OPENING
OF FORMAL BARGAINING SESSIONS UNTIL MID-MARCH, AT
EARLIEST, BECAUSE METAL WORKING UNIONS, PACE SETTERS
WHO SUCCESSFULLY COORDINATED DEMANDS LAST THREE
YEARS, HAVE FOUND IT EXTREMELY DIFFICULT THIS YEAR TO
AGREE ON COMMON FIGURE ACCEPTABLE AS FINAL SETTLEMENT.
ALTHOUGH STEEL WORKERS HAVE DEMANDED 12 PERCENT BOOST, ALONG
WITH OTHER IMF-JC UNIONS, GIVEN DEPRESSED STATE OF STEEL
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INDUSTRY AND FEAR THAT LARGE BOOST COULD JEOPARDIZE
TRADITIONAL PERMANENT EMPLOYMENT SYSTEM, THEY ARE EXPECTED
TO SETTLE FOR MUCH LESS. ON OTHER HAND, AUTO WORKERS,
REFLECTING PROSPEROUS STATE OF THEIR INDUSTRY, HAVE BEEN
PUSHING FOR SETTLEMENT NEAR 10 PERCENT ON GROUNDS THAT ANYTHING
LESS WOULD DEPRESS CONSUMER DEMAND AND MAKE ACHIEVEMENT
7 PERCENT GROWTH RATE NEARLY IMPOSSIBLE IN FY 78. PUBLIC SECTOR

UNIONS, ALTHOUGH THREATENING STRIKES ON NATIONAL RAILWAYS AND PUBLIC UTILITIES IN MID-APRIL IF THEIR DEMANDS (GENERALLY OVER 12 PERCENT) ARE REJECTED, ARE EXPECTED TO HAVE LITTLE INFLUENCE ON FINAL PATTERN OF SETTLEMENT, WHICH PRIVATE ECONOMISTS AND MEDIA PREDICT WILL ULTIMATELY BE IN 57 PERCENT RANGE, END SUMMARY.

2. 1978 SPRING WAGE "STRUGGLE" CAMPAIGN OFFICIALLY OPENED WITH RALLY FEBRUARY 19 BY SOHYO AND CHURITSU ROREN-SPONSORED NATIONAL SPRING OFFENSIVE JOINT COUNCIL. INITIAL DEMAND OF ALL UNION FEDERATIONS HAS BEEN FOR 12 PERCENT WAGE INCREASE (INCLUDING 2 PERCENT ANNUAL AUTOMATIC IN-STEP INCREASE), YET FEDERATIONS' NEGOTIATING STRATEGY STILL REMAINS LARGELY UNDETERMINED.

3. AS IN LAST THREE YEARS, ATTENTION HAS FOCUSED ON BARGAINING STRATEGY OF METAL WORKERS COUNCIL (IMF-JC) WHICH INCLUDES UNIONS REPRESENTING MOST OF MAJOR EXPORT-ORIENTED INDUSTRIES. ALL IMF-JC AFFILIATES RECOGNIZE THAT 12 PERCENT FIGURE IS MERE GAMBIT WITH WHICH TO OPEN NEGOTIATIONS BUT THEY HAVE BEEN UNABLE TO AGREE ON WHERE TO MAKE THEIR FINAL BARGAINING STAND. THEY CANNOT SETTLE ON SINGLE PERCENTAGE FIGURE OR AMOUNT WHICH WOULD ALLAY CONCERNS OF UNIONS IN INDUSTRIES HARD-HIT BY RECESSION, SUCH AS STEEL, AND STILL SATISFY DEMANDS OF WORKERS IN BOOMING INDUSTRIES SUCH AS AUTOS. IMF-JC PRESIDENT MIYATA, LIMITED OFFICIAL USE

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WHO ALSO HEADS STEEL WORKERS (TEKKO ROREN), JOINED OTHER IMF-JC LEADERS IN CALLING FOR 12 PERCENT WAGE BOOST, BUT ALSO INSISTED

PRIOR TO TEKKO ROREN CONVENTION FEBRUARY 28 THAT STEEL WORKERS EXERCISE "SELF-RESTRAINT" IN WAGE NEGOTIATIONS THIS YEAR IN EXCHANGE FOR MANAGEMENT GUARANTEES THAT WORKERS NOT BE LAID OFF, CREATING IMPRESSION STEEL WORKERS WERE PREPARED TO ACCEPT FAR LESS THAN 12 PERCENT. HOWEVER, IN HIS FIRST PUBLIC APPEARANCE SINCE RETURNING FROM HIS MID-FEBRUARY VISIT TO US, MIYATA AT CONVENTION CALLED FOR WAGE GAINS TO STIMULATE CONSUMER SPENDING AND HELP JAPAN ACHIEVE 7 PERCENT GROWTH RATE GOAL, AND REAFFIRMED HIS COMMITMENT TO 12 PERCENT FIGURE. HE ALSO ACCEPTED PRINCIPLE THAT WORKERS IN MORE PROSPEROUS INDUSTRIES SHOULD RECEIVE LARGER WAGE GAINS.

4. THESE STATEMENTS HAVE HELPED NARROW GAP BETWEEN HIS POSITION AND THAT OF IMF-JC VICE PRESIDENT SHIOJI, LEADER OF AUTO WORKERS (JIDOSHA SOREN), WHO HAS BEEN HINTING THAT WAGE SETTLEMENTS BY PRIVATE SECTOR UNIONS SHOULD NO LONGER BE BASED ON WAGE BOOST GRANTED BY STEEL INDUSTRY, AS IN PAST, BUT SHOULD RATHER BE DETERMINED

BY PRODUCTIVITY GAINS AND PROFITABILITY OF PARTICULAR INDUSTRIES AND INDIVIDUAL COMPANIES. JIDOSHA SOREN OFFICIALS INTERPRET THIS TO MEAN THAT AUTO WORKERS WOULD RECEIVE SIGNIFICANTLY HIGHER WAGE BOOST THAN OTHER IMF-JC AFFILIATES, SUCH AS STEEL AND SHIPBUILDING WORKERS. THEY ALSO NOTE THAT WITHIN AUTO INDUSTRY, FIRMS SUCH AS NISSAN AND TOYOTA, WHICH HAD GOOD YEARS IN 1977, WOULD BE ABLE TO OFFER MORE THAN TROUBLED FIRMS LIKE TOYO KOGYO, SO THAT WAGE SETTLEMENT WITHIN AUTO INDUSTRY COULD VARY FROM BETWEEN 7 PERCENT TO 9 PERCENT. WITH MIYATA MOVING TOWARD FACESAVING COMPROMISE WITH SHIOJI, IMF-JC FINAL DECISION ON STRATEGY FOR THIS YEAR'S CAMPAIGN WILL PROBABLY BE SETTLED BY MID-MARCH. AT THIS POINT IT APPEARS THAT STEEL UNION WILL AGAIN BE ALLOWED TO TAKE LEAD IN DETERMINING AMONG LIMITED OFFICIAL USE

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OF FINAL SETTLEMENTS IN PRIVATE SECTOR, IN PART BECAUSE OF DESIRE ON PART OF BOTH UNION AND BUSINESS COMMUNITY TO AVOID STIMULATING FURTHER FEARS OVER FUTURE OF STEEL INDUSTRY IN JAPAN. HOWEVER, SINCE STEEL SETTLEMENT EXPECTED TO BE FAIRLY LOW, AUTO WORKERS AND ELECTRICAL APPLIANCE WORKERS WILL MOST LIKELY INSIST ON SWEETENING

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ACTION EA-12

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TO SECSTATE WASHDC 5716
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THEIR PACKAGE, POSSIBLY THROUGH AGREEMENTS WITH THEIR RESPECTIVE MANagements THAT THIS YEAR'S SUMMER BONUSES WOULD VERY GENEROUSLY REFLECT LAST YEAR'S PRODUCTIVITY GAINS. ALL METAL WORKING UNIONS NOW EXPECTED TO OPEN NEGOTIATIONS FORMALLY BETWEEN MARCH 11-21.

5. MIYATA US OF 7 PERCENT GROWTH RATE TO JUSTIFY WAGE BOOSTS EVEN IN DEPRESSED INDUSTRIES INDICATES IMPACT DEBATE ON NATIONAL ECONOMIC POLICY HAVING ON WAGE NEGOTIATIONS. UNIONS AND OPPOSITION PARTIES HAVE CLAIMED SUBSTANTILA WAGE INCREASES (AS WELL AS INCOME TAX CUTS), WILL STIMULATE CONSUMER SPENDING AND ENCOURAGE GREATER DOMESTIC GROWTH. EMPLOYERS (AND TO SOME EXTENT GOJ) HAVE DOWNGRADED ECONOMIC SIGNIFICANCE OF THIS YEAR'S INCREASE ON GROUND THAT INCREASES IN WORKERS INCOME HAVE LITTLE EFFECT ON CONSUMPTION BECAUSE OF THEIR CURRENT HIGH PROPENSITY TO SAVE, AND INSTEAD HAVE PLACED MAJOR EMPHASIS ON HOLDING DOWN WAGE BOOSTS AND ON EXPANDING GOVERNMENT SPENDING. IN ADDITION, THEY LIMITED OFFICIAL USE

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STRESS THAT WHATEVER VIRTUES OF UNIONS' "MACRO-ECONOMIC" ARGUMENTS, "MICRO-ECONOMIC" IMPACT OF LARGE WAGE GAINS WOULD FORCE MANY MARGINAL BUSINESSES INTO BANKRUPTCY AND RESULT IN HIGHER UNEMPLOYMENT.

6. IN PUBLIC ENTERPRISE SECTOR (NATIONAL RAILWAYS, TELECOMMUNICATIONS, ETC.) WHERE MANAGEMENT TRADITIONALLY BASES ITS WAGE OFFERS ON SETTLEMENTS WON BY PRIVATE SECTOR, MILITANT SOHYO-AFFILIATED UNIONS HAVE BEEN CALLING FOR INCREASES UNRELATED TO SETTLEMENTS ELSEWHERE. REFLECTING CONFIDENCE THAT GOVERNMENT-OWNED CORPORATIONS WILL PROVIDE JOB SECURITY EVEN IF PRIVATE SECTOR'S COMMITMENT TO LIFETIME EMPLOYMENT WEAKENS, PUBLIC SECTOR UNIONS HAVE THREATENED TO EXERCISE THEIR MAJOR WEAPON, SERIES OF ILLEGAL TRANSPORTATION STRIKES, IN APRIL TO ACHIEVE THEIR GOALS. HOWEVER, THIS TOOL HAS BEEN BLUNTED BY STRONG OPPOSITION OF PUBLIC, AND BY SOHYO FEARS THAT LDP WOULD USE PROLONGED STRIKE AS EXCUSE FOR DIET DISSOLUTION AND ELECTIONS, FOR WHICH JAPAN SOCIALIST PARTY, MAJOR POLITICAL REPRESENTATIVE OF THE PUBLIC SECTOR, IS NOT YET PREPARED. INEFFECTIVENESS OF STIKE THREAT AND DESIRE TO APPEAR RESPONSIVE TO NEEDS OF ITS ALIENATED PRIVATE SECTOR AFFILIATES (SUCH AS TEKKO ROREN), HAVE LED SOHYO LEADERSHIP TO ADOPT LOW PROFILE IN THIS YEAR'S WAGE CAMPAIGN, WHILE SOME TRANSPORT STRIKES MAY TAKE PLACE, THEY WILL PROBABLY BE BRIEF.

7. SINCE SCHEDULE AND STRATEGY FOR THIS YEAR'S WAGE
"OFFENSIVE" HAVE NOT YET BEEN SET, IT HAS BEEN IMPOSSIBLE
TO FORECAST WITH ANY CERTAINTY FINAL SETTLEMENTS. NEVER-
THELESS, LABOR'S DECISION TO DEMAND INITIALLY ONLY 12 PERCENT,
AS OPPOSED TO 15 PERCENT LAST YEAR, CLEARLY INDICATES AVERAGE
SETTLEMENT WILL FALL WELL BELOW LAST YEAR'S 8.8 PERCENT
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INCREASE. CURRENT ESTIMATES ON PART OF MEDIA AND
PRIVATE ENTERPRISES ARE THAT 1978 WAGE BOOST WILL BE IN
5-7 PERCENT REGION, WHICH WOULD BE THE LOWEST INCREASE SINCE
1959.
MANSFIELD

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